GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:12
ANSWERED ON:17.02.2006
AMOUNT SPENT ON COLLECTION OF IT
Shiwankar Shri Maha Deo Rao;Singh Shri Prabhunath

Will the Minister of FINANCE be pleased to state:

(a) the cost of collection of income tax of rupee one;

(b) whether the amount collected commensurate with the expenditure incurred;

(c) if not, the reasons therefore and the steps proposed to be taken in this regard;

(d) the quantum of Income Tax collected during 2003-04, 2004-05 and 2005-06 till date;

(e) the amount of money spent en collection of income tax during each of the last three years;

(f) the target vis-a^vis collection of revenue during each of the last three years ale ngwith the reasons for shortfall, if any; and

(g) the steps taken/proposed to be taken to meet the targets sets forth in future?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI P. CHIDAMBARAM)

(a) to (g): A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) , (b),(c),(d),(e),(f) AND (g)ofLOKSABHA STARRED QUESTION NO. 12 DUE FOR ANSWER ON 17.02.2006.

(a) The cost of collection of income tax (all direct taxes) for the year 2004-05 was 0.86 paise per rupee of income tax collected.

(b) The amounts of direct taxes collected in various years have been commensurate with the expenditure incurred on collection.

(c) Does not arise in view of reply to para (b) above.

(d) The amounts of income tax (all dixect taxes) collected during the period under reference are as under:

Financial Year	Amount Collected
2005-06 (upto January 2006)	Rs. 1,09,831 crore
2004-05	Rs. 1,32,771 crore
2003-04	Rs. 1,05,088 crore

(e) The amount of expenditure for collection of direct taxes during the period under reference is as under:-

Financial Year	Expenditure on Collection
2004-05	Rs. 1,138 crore
2003-04	Rs. 1,050 crore
2002-03	Rs. 984 crore

(f) The target (Budget Estimates) vis-a-vis collection of direct taxes during the period under reference is as under:

Financial Year	Target (Budcct Estimates)	Actual Collections

2004-05 Rs.1,39,510 crore Rs.1,32,771 crore
2003-04 Rs.95,714 crore Rs.1,05,088 crore
2002-03 Rs.91,585 crore Rs.83,088 crore

Budget Estimates of direct tax collections are fixed on the basis of certain macro-economic assumptions. Some deviation from the targets is likely when the assumptions of economic growth, market conditions, growth in real estate, growth in manufacturing sector, income-levels, price-levels, interest rates, etc do not come true to the extent anticipated.

(g) The Government has been taking several measures to minimize the gap between target and actual collections of direct taxes including-

@ Fixation of realistic Budget Estimates of taxes and allocation of target amongst the field units on equitable basis.

@ Maximization of direct tax collections through various steps including-

Monitoring of payments under advance tax and TDS.
Augmentation of recovery from arrears of taxes.
Detection of tax evasion through scrutiny, survey and
search operations.
Encouragement to voluntary compliance o f tax through better taxpayers service and launching of advertisement and publicity campaigns.
Creation of database of high-value financial transactions to detect tax-evasion and non-filers.
Comprehensive computerization of the Income Tax Department for stronger tax-administration and better taxpayers service.
Earmarking of one percent of the incremental revenue earned beyond the budget target for next year`s expenditure budget for infrastructure and organizational efficiency.